



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

861 SILVER LAKE BLVD.
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

TELEPHONE:

(302) 736-7500

FAX:

(302) 739-4849

July 1, 2016

MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Toni Loper, Public Utility Analyst 

SUBJECT: IN THE MATTER OF THE APPLICATION OF VERIZON DELAWARE LLC FOR ITS ANNUAL PRICE CAP FORMULA IN ACCORDANCE WITH SECTION 707 (B) OF THE TELECOMMUNICATIONS TECHNOLOGY INVESTMENT ACT (FILED MAY 11, 2016) - PSC DOCKET No. 16-0636

Background

Since 1994, Verizon Delaware LLC ("Verizon" or the "Company") has elected to be regulated under the provisions of the Telecommunications Technology Investment Act ("TTIA") 26 *Del. C.* §§ 704-711 (i.e. Subchapter VII-A of Title 26 of the Delaware Code). On April 25, 2013, the General Assembly of the State of Delaware enacted House Bill 96 to amend Title 26 of the Delaware Code relating to the jurisdiction of the Commission and public utilities providing telecommunications services, which became effective on July 15, 2013. Based on this amended code, on July 15, 2013, Verizon filed a letter with the Delaware Public Service Commission ("Commission") electing to determine its rates and prices for its telecommunications services pursuant to the amended 26 *Del. C.* §§ 704-711.

Under the TTIA, a telecommunications provider which has made an election under 26 *Del. C.* §704(a) is required by 26 *Del. Admin. C.* §§4005-3.1 and 3.2 to submit to the Commission and interested parties no later than March 31 of each year a Price Index Report ("PI Filing").

The amended legislation revised the definition of basic and competitive services in 26 *Del. C.* § 705. Basic services are now defined as (1) individual residential local exchange access line and residential local usage at a location where there is no "Alternative Provider of Telephone Service" available to retail residential customers and (2) switched access service.

Application

Staff notified the Company on or about May 10, 2016 that it had discovered that the required PI Filing had inadvertently not been filed. Staff requested that the Company complete the required filing as soon as possible. On May 11, 2016 Verizon filed, in the form of a letter, its annual PI filing as required. As noted in the Application, inflation remains positive, therefore, calculations under the price cap formula would have yielded a rate increase. However, Verizon is prohibited from increasing its intrastate switched access rates under federal law. Secondly, pursuant to 26 *Del.C.* §707 (c)(1), Verizon may not increase its switched access rates unless the rate increase is required to maintain parity with its interstate switched access rates. As a result of the federal and state regulations Verizon cannot implement a rate increase according to the PI Filing.

Staff has reviewed Verizon's annual PI Filing for compliance with the Delaware Code and the Commission's regulations and has found that it is in compliance. Also, as required the Company published notice of its 2016 PI Filing. Notice was published on May 21, 2016, in The News Journal and May 22, 2016, in the Delaware State News. The public notice solicited comments from any interested parties, and set the date that this matter would be heard before the Commission. Staff did not receive any comments in regards to this matter.

Staff Recommendation

Based on Staff's review of this matter, Staff recommends the Commission approve Verizon's 2016 PI Filing as compliant with the Delaware Code and the Commission's regulations.